

Message Text

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PAGE 01 ANKARA 03848 181515Z

ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 EURE-00 SP-02 USIA-06

AID-05 EB-07 NSC-05 EPG-02 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-01

PA-01 PRS-01 /107 W

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC PRIORITY 7566

INFO AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

AMEMBASSY TOKYO

USMISSION MTN GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, TU

SUBJECT: FINANCE MINISTER AND CENTRAL BANK GOVERNOR COMMENT ON
TURKISH PRESS COVERAGE OF FOREIGN EXCHANGE SITUATION

1. TURKISH FOREIGN EXCHANGE SHORTAGE, HAVING TROUBLED INSIDERS FOR
PAST SIX WEEKS, IS JUST NOW ENGAGING ATTENTION OF DOMSTIC PRESS.
GROWING PRESS COVERAGE, SOME ALARMIST IN NATURE, HAS CAUSED
CENTRAL BANK GOVERNOR AND FINANCE MINISTER TO WARN THAT SUCH
IRRESPONSIBLE REPORTING COULD CAUSE LOSS OF FOREIGN CONFIDENCE
IN TURKISH GOVERNMENT'S DETERMINATION TO HONOR ITS FINANCIAL
COMMITMENTS. NEWSPAPERS HAVE WARNED VARIOUSLY THAT LARGE-SCALE
DEVALUATION WILL BE NECESSARY AFTER ELECTION, THAT TURKISH GOLD
RESERVES HAVE BEEN PLEDGED TO COVER LOANS, THAT FOREIGN BANKS
ARE UNWILLING TO HONOR CENTRAL BANK AUTHORIZATIONS, THAT THE IMF
HAD TURNED DOWN A GOT LOAN REQUEST, AND THAT FOREIGN BANKS ARE
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PAGE 02 ANKARA 03848 181515Z

WITHDRAWING CONVERTIBLE LIRA DEPOSITS AS THEY COME DUE.

2. CENTRAL BANK GOVERNOR SADIKLAR IN PRESS CONFERENCE HELD MAY 17,
POINTED OUT THAT FOREIGN EXCHANGE SHORTAGE WAS NOT NEW
DEVELOPMENT FOR TURKEY. HE EMPHASIZED, HOWEVER, THAT WHAT HE
DESCRIBED AS DELIBERATE ATTEMPT BY TURKISH PRESS TO EXAGGERATE
CRISIS OF CONFIDENCE IN TURKISH GOVERNMENT COMMITMENTS COULD HAVE

SERIOUS EFFECT NOT ONLY ON PRE-ELECTION ECONOMY, BUT ON POST-JUNE 5 ECONOMY AS WELL. TURKEY NEEDED TO BORROW ABROAD TO COVER ITS TRADE DEFICIT AND NEGATIVE PUBLICITY WAS HURTING CENTRAL BANK'S ABILITY TO MAINTAIN CONFIDENCE OF FOREIGN BANKING COMMUNITY.

3. MINISTER OF FINANCE ERGENEKON, IN A PRESS CONFERENCE ON MAY 16 AND IN AN IZMIR NEWSPAPER INTERVIEW ON MAY 17 ALSO ATTEMPTED TO DEAL SPECIFICALLY WITH NEWSPAPER CRITICISM. ERGENEKON SAID (1) TURKEY'S GOLD RESERVES WERE NOT PLEDGED AS LOAN COVER, (2) THAT WORKER REMITTANCES HAD INCREASED THIS YEAR TO DATE OVER LAST YEAR, (3) THAT THE CENTRAL BANK WAS HONORING ITS COMMITMENTS OVERSEAS, AND (4) THAT THE IMF HAD NOT BEEN ASKED FOR A LOAN AND SO HAD NOT TURNED DOWN THE GOT. ERGENEKON URGED TURKISH PRESS TO BE CAREFUL WITH TYPE OF NEWS THAT CAN "INFLICT LARGE-SCALE HARM ON THE LONG-RANGE INTERNATIONAL FINANCIAL RELATIONS OF OUR COUNTRY."

4. RECENT COMMENTARY WAS TOUCHED OFF BY RELEASE BY REPUBLICAN PEOPLES PARTY SENATOR USTUNEL OF COPIES OF TWO TELEGRAMS FROM TURKISH EMBASSY IN TOKYO AND TURKISH CONSULATE GENERAL IN GENEVA. CABLES WHICH WERE PUBLISHED VERBATIM IN MAY 17 MILLIYET AND CUMHURIYET DESCRIBED SITUATION IN TOKYO WHERE CENTRAL BANK HAD FALLEN \$35 MILLION BEHIND IN PAYMENTS TO JAPANESE TRADING COMPANIES AND SAID CREDIT OF TURKISH REPUBLIC HAD FALLEN SO LOW THAT CITIBANK TOKYO WAS UNABLE TO PAY TURKISH GOVERNMENT EMPLOYEES. CABLE FROM GENEVA DESCRIBED CASE WHERE BANK KREDIT SUISSE HAD REFUSED TO HONOR SF 1500 DRAFT DRAWN ON TURKISH CENTRAL BANK AND PRESENTED FOR PAYMENT BY TURKISH GOVERNMENT OFFICIAL. MAY 18 MILLIYET REPORTS THAT MINISTRY OF FOREIGN AFFAIRS IS LIMITED OFFICIAL USE

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PAGE 03 ANKARA 03848 181515Z

CONDUCTING INVESTIGATION INTO HOW CABLES CAME INTO POSSESSION OF RPP SENATOR.

5. COMMENT:
WHILE MUCH OF PRESS COMMENTARY IN PAPERS SUCH AS CUMHURIYET AND POLITIKA IS PARTISAN AND OFTEN UNTRUE, MUCH OF REPORTING IS ACCURATE PORTRAYAL OF RECENT FOREIGN EXCHANGE SITUATION. MORE SERIOUS EDITORIALISTS (ABDI IPEKCI) HAVE POINTED OUT, IN RESPONSE TO SADIKLAR AND ERGENEKON CRITICISM, THAT INTERNATIONAL BANKERS KNOW SERIOUSNESS OF SITUATION AND DO NOT NEED REPORTS OF TURKISH NEWSPAPERS. FOREIGN EXCHANGE SITUATION HAS NOT YET BECOME LIVE ISSUE IN CAMPAIGN, BUT OPPOSITION IS ATTEMPTING TO MAKE AN EXAMPLE OF MISMANAGEMENT OF ECONOMY BY PRIME MINISTER DEMIREL. WHILE MUCH OF PROBLEM IS DIFFICULT FOR TURKISH ELECTORATE TO UNDERSTAND, PORTRAYAL OF CRISIS AS LOSS OF FOREIGN CONFIDENCE IN TURKISH HONOR COULD BE EFFECTIVE WEAPON FOR OPPOSITION.
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